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CO-OPERATIVE SAVINGS AND LOAN ASSOCIATIONS.

THE class of associations discussed in this article are known by many names. Among them are Co-operative Savings and Loan Associations, Co-operative Banks, Building Associations, Building and Loan Associations, Mutual Loan Associations, Homestead Aid Associations, and others. There is no name which so accurately describes them all as Co-operative Savings and Loan Associations, and no form of direct co-operation among the wage-earners of the United States is attracting more attention at the present time than the various associations grouped under this name. Such attention is not confined to those directly interested in organizing and conducting them, or to wage-earners, but is shared by social science associations and by many philanthropic men, who are deeply interested in every movement which seems to present safe and practical methods for improving the material welfare of the wage-earning classes.

While an examination of these associations throughout the country reveals many and important variations in the manner of conducting their business, the general plan of their organization and business methods is quite uniform, and may be briefly described as follows:—

1. They are corporations organized under a general act of the State authorizing their formation.

2. Every member of an association is a stockholder, and becomes such by subscribing for one or more shares of stock, signing the articles of association and by-laws, and paying an entrance-fee. He has thereby undertaken to pay to the association, upon each share of stock taken by him, at regular stated times, a certain sum called “dues,”

and to continue the payment of such dues, if he continues to hold the shares of stock, until the sum of the dues so paid, increased by dividends added thereto from the profits of the association, reaches a certain amount specified in the articles of association as the "matured" value of the shares of stock. When the matured value is reached, he surrenders his stock, and the association pays him the accumulated savings. For the purpose of preventing a few stockholders obtaining control, the number of shares which a shareholder may hold is limited.

3. The capital of the association consists of the accumulated savings of the stockholders, paid to it in the form of dues upon its stock, and the profits of the business of the association which have been distributed from time to time in the form of dividends and added to the value of the shares.

4. The association loans its money only to its own stockholders, and no stockholder can borrow a larger amount than the matured value of the shares of stock owned by him. The security required is (1) a pledge of the shares of stock upon which the borrower makes the loan, (2) a bond or note secured by a mortgage upon unencumbered real estate, or (3) a pledge of shares of stock of the association which exceed in value the amount of the loan.

5. Every stockholder who has the required security to offer the association is equally entitled with every other stockholder to borrow its funds, to the extent of the matured value of the shares held by him. For the purpose of loaning the funds of the association, stated meetings are held, open to all stockholders, at which the funds are offered to borrowers. When two or more stockholders wish to borrow the same funds, the right to a loan is determined by an open bidding of a sum to be paid for the loan in excess of the interest required; and the loan is awarded to the highest bidder. The sum thus agreed to

be paid by the borrower in excess of interest is called a "premium." The borrower pays interest on his loan at stated times corresponding with the same times that he pays dues on his stock.

6. Shares of stock upon which the holder has made a loan are called "borrowed" or "pledged" shares, while shares not borrowed upon are called "free" or "unpledged" shares.

The holder of free shares may surrender them to the association at any time upon thirty days' notice and withdraw his accumulations of savings, the association retaining a certain percentage of the profits, which have been added to their value in dividends; or he may sell them to another person, and such person, upon signing the articles of association and by-laws and procuring a transfer of the stock to himself upon the books of the association and paying a certain transfer-fee, becomes a shareholder in his stead.

The sum which the association pays upon each share withdrawn is called its "withdrawal" value.

7. The borrowing shareholder continues to pay dues upon the stock borrowed upon with his interest until the shares reach their matured value, when they cancel his loan, and he surrenders the stock, and the association discharges his securities.

He may, however, repay his loan at any time, and again hold his shares free; or he may have their withdrawal value applied upon the loan, and pay the balance and surrender his stock. A fine is imposed in all cases when a default is made in the payment of interest or dues.

8. The profits of the association are derived from interest and premium on loans, from the share of profits left by withdrawing shareholders, from fines, entrance and transfer fees. These are distributed annually or oftener, after expenses are deducted, in dividends added to the value of the shares of stock, each share of unmatured

stock receiving a dividend in amount bearing the same proportion to the total sum distributed that the value of the share bears to the total value of all the shares to which the distribution is made.

The important differences among associations in the manner of conducting their business are as follows:—

1. In the manner of issuing their stock. Some issue only one series. A person taking stock in this class of associations after the time of the first issue is required at the time he takes his shares to pay a sum equivalent to the sum of the accrued dues and the profits which have been added to the stock prior to his becoming a shareholder, so that every share of stock outstanding, and not in arrears for dues, at any time in the history of the association is of the same value. When the shares reach their matured value, every shareholder has become a borrower to the extent of the matured value of his shares. The value of his stock cancels his loan, and the association dissolves. This is called the *terminating* plan. This was the plan usually followed until recent years. Another plan, which is the one quite generally adopted at the present time, is to issue a new series of stock yearly or oftener. This is called the *serial* plan, and under it the association may become perpetual. There is still another plan called the *permanent*, in which stock is issued at any time.

2. The second important variation relates to the matured value of shares, the amount and time of paying dues, and the manner of payment. The matured value of shares ranges all the way from \$10 to \$500. The most common amounts are \$100 and \$200. Dues are paid weekly or monthly, and vary in amount from ten cents weekly to two dollars monthly on each share. The most common amounts are twenty-five cents weekly and one dollar monthly. Payments are usually required weekly or monthly. One class of associations require all dues

and interest to be paid to a committee of the Board of Directors at the stated meetings, while another class allow them to be paid to the secretary at his office before the stated weekly or monthly meetings.

3. The third important variation is in the modes in which the borrower bids and pays a premium.

(a) One mode is for the borrower to bid a certain sum per share, the amount being deducted from the loan, and the security being given for the full matured value of the shares borrowed upon, with interest; but, in the event the borrower pays the loan before the shares borrowed upon shall mature, certain rebates upon the premium so bid and paid are allowed to him. This is known as the "gross plan."

(b) A second mode is for the borrower to bid a certain sum per share, as in the gross plan, and to receive a rebate on the premium paid in the same manner in case of prepayment of loan; but he only pays interest on the net sum received after deducting the premium. This is called the "net plan." Very few associations pursue this plan at the present time.

(c) A third mode is for the borrower to bid a certain sum per share, which he will pay monthly or weekly, as the scheme of the association requires, in addition to interest. This is known as the "instalment plan."

(d) A fourth mode is for the borrower to bid on the rate of interest he will pay for the loan. This is named the "interest premium plan."

(e) A fifth mode is for the borrower to bid a certain sum per share in the event of competition among borrowers, the amount being deducted from the sum loaned and security being given for the full amount, as in the gross plan; but no rebates are allowed on prepayment of the loan. The premium bid and paid is treated as a bonus, and the whole matter of premium on the loan is ended when the loan is perfected. This has been named

the "New York premium plan," by reason of its incorporation in an act passed in that State in 1887. It is, in fact, the gross plan without the system of rebates, whereby certain parts of the premium bid by the borrower are returned to him in the event of his paying his loan before the maturity of the shares borrowed upon.

There are other minor variations, but it is unnecessary to describe them for the purposes of this article.

The first association in this country was organized in a suburb of Philadelphia in January, 1831, and named the "Oxford Provident Building Association." It was formed upon the terminating plan, matured value of shares \$500 and monthly dues \$3. Its stock matured in June, 1841, and the association closed. Another association was immediately formed under the same name. A second association was formed in 1845, and called the "Franklin Building Association." It placed the matured value of its shares at \$200, and monthly dues \$1. This was the model after which associations thereafter in Philadelphia were largely patterned. The first general act authorizing their incorporation in Pennsylvania was passed in April, 1850, and limited the number of shares of stock to 500. In April, 1851, this limit was increased to 2,500. The matured value of shares was placed at \$200, and monthly dues at \$1. The limitation in the number of shares remained in the laws of Pennsylvania until 1874.

It is estimated that about fifty associations were formed in Philadelphia from 1845 to 1850; but they were unincorporated, conducting their business through trustees, except that in a few associations special acts of incorporation were obtained from the legislature. Their numbers increased during the decade of the fifties, and they spread to some extent throughout the State. The Civil War retarded their growth for a time; but after its close their number in the whole State began to increase with great

rapidity, and their prosperity has continued until the present time. The increase in numbers was greatest from 1870 to 1880, and the total number of associations in the early years of the present decade was undoubtedly greater than at the present time. It was variously estimated from 1,500 to 1,800. The decrease in numbers in recent years is owing to two causes.

1. Prior to 1874, all the associations formed were limited to 2,500 shares, whether formed upon the terminating or serial plan. This necessarily limited the membership of a single association within comparatively narrow boundaries. In 1874, the law was changed by striking out the limit as to the number of shares, and providing that the aggregate capital of an association should not exceed one million dollars. This permitted a single association to transact an amount of business that required several before the amendment of the law. The result has been an increase in the membership of single associations.

2. Many of the associations, still in existence in 1880, were formed upon the terminating plan, and have matured their stock and dissolved. The Secretary of Internal Affairs of Pennsylvania, in his report for 1879-80, in speaking of these associations, said:—

Hundreds of these associations have been conducted, from their inception to their termination, without the loss of a dollar. From their inception up to the present time, it is estimated that under their operation 60,000 comfortable houses have been erected in Philadelphia alone, and that they have enabled 25,000 householders to pay off mortgages that probably would otherwise have been foreclosed. They have been the means of making 80,000 owners of real estate and 80,000 tax-payers, thus giving Philadelphia the pre-eminent title of being the "city of homes."

M. J. Brown, publisher of the *Building Association and Home Journal* of Philadelphia, than whom there is no one better qualified to judge, estimates the present number in the State at 900, of which one-half are located in Philadel-

phia. For the purpose of determining the amount of capital invested in these associations in Philadelphia and throughout the State, he made an examination of the accounts of one hundred and twenty associations, and found their aggregate capital to be \$8,749,337; average capital, \$72,911; aggregate shares, 151,680; average shares, 1,264. Applying this ratio to the four hundred and fifty Philadelphia associations, their aggregate capital amounts to \$32,810,017, and in the whole State to over \$65,000,000. Applying the average of the number of shares in each of the one hundred and twenty associations examined to the nine hundred in the State, the total number of shares amounts to 1,400,000. Upon each of these shares there is paid in dues every year \$12, making the total savings paid into these associations in the State of Pennsylvania, in a single year, \$17,251,200.

We have dwelt upon the details of these associations in Philadelphia at some length, for the reason that here was their beginning in this country, and here they have achieved their greatest success. Why they have been so successful we will explain after noting briefly their history in other States.

Their early history in New York is worthy of study. Some voluntary associations were formed during 1849-50, but the first general act for their incorporation was passed in 1851. This act was general in its provisions, and outlined no definite plan for conducting their business. Under its authority, seventy-two associations were incorporated in the city of New York between May 26, 1851, and November 26, 1852. During this time, commercial activity and speculation were at high tide. The organizers explained to the ignorant and unwary promising schemes whereby homes were to be paid for in an easy manner. Infatuated with the speculative rage of the times, the enthusiastic borrower expected his real estate to double or treble in value while he was paying for it;

and under this stimulus he was in a mood to bid a high premium, that he might borrow the funds of the association. The tide in commercial affairs soon changed, hard times followed, the dues and large interest could not be met, fines accumulated, and the borrowers found themselves in a net from which they could not escape. Murmurs of discontent, the menace of impending disaster, and charges of deception and fraud supplanted confidence, hope, and expectation; and the legislature was importuned for relief. In the winter of 1855, it appointed a committee of investigation to report in 1856. The committee made a full investigation, and reported in January, 1856, in favor of the repeal of the act of 1851, authorizing their incorporation.* The recommendations of the committee were not adopted; but building associations in New York City soon died out, not to reappear until 1885. Since that time there has been a rapid revival of interest and increase in numbers, until at the present time there are over sixty associations in New York, Kings, and Westchester Counties. The present movement has been attended with some of the characteristics of 1851-52; but the associations are adopting better methods, and there is a growing tendency to place them upon secure foundations.

While the craze was proceeding in New York City in 1851-52, some associations were organized in other parts of the State with much the same outcome. At the present time, the greatest success in the State of New York has been attained in the cities of Buffalo and Rochester. The first association in Buffalo was formed in 1851, the second in 1860, the third in 1869, and during that year eighteen were organized. Since that time, they have been gradually increasing. The total number organized in that city prior to November 22, 1888, was three hundred and twenty-seven. The greater part of these have

* See vol. iii. *Assembly Documents* for 1856, No 46.

ceased, from the maturing of their stock or by uniting with other associations, so that the number now in active operation is estimated at one hundred. Their early experience in Rochester was unsatisfactory; but their revival there commenced in the latter part of the seventy decade, and since 1882 they have increased with astonishing rapidity for a city of its size, and they now number over eighty-five. Throughout the whole State, at the present time, there are nearly three hundred associations. A State league has been formed; and there is an increasing amount of intelligent discussion as to the best methods of conducting their business to secure safety and a steady increase of the amount of savings which they annually accumulate. One of the best acts authorizing their incorporation to be found in any State of the Union was passed by the legislature of New York in 1887, and is known as "Chapter 556." This act gives them the name of "Co-operative Savings and Loan Associations," and outlines a definite plan for conducting their business; but the act of 1851 still remains unrepealed, and new associations may be incorporated under either act.

Their early history in Connecticut was unsatisfactory, and resulted in an investigation by the legislature and a repeal of the law authorizing their formation, which closed their existence in the State until recently.

In Massachusetts, their early endeavors did not meet the expectations of those connected with them. The first was organized in Boston, in 1852. In 1859 there were at least fifty-nine in the State; but in 1866 reports by State officers reveal only three in existence. Their revival began about 1877. Hon. Josiah Quincy became interested in this form of co-operation, and believed these associations could be utilized to great advantage as a "savings institution," if organized upon sound principles and conducted by safe and equitable methods. Under his guidance, an act was prepared by a Philadelphia ex-

pert, to authorize their incorporation, and outlining a definite plan for conducting their business. This act was passed in 1877. By this act, they were called "Co-operative Saving Fund and Loan Associations." In 1883, the legislature amended the act by changing the name to "Co-operative Banks." No association of this kind can do business in the State unless incorporated under this law. This necessitates substantial uniformity in their operations. The matured value of shares is \$200, issued in quarter, semi-yearly, or yearly series, the monthly dues being \$1. In the act of 1877, the instalment plan of premiums was adopted; but since then the act has been amended, allowing each bank to decide for itself whether it will adopt that plan or the interest premium plan. "The Pioneer" of Boston was the first association organized under the act, July 26, 1877. From that time to this, these associations have from year to year been increasingly prosperous and successful. They are under the supervision of the Commissioners of Savings Banks. From the report of that Board for 1888, we learn that on the first day of November last there were in the State sixty-six co-operative banks, located in forty-seven cities and villages, having in force 184,598 shares, distributed among 27,943 shareholders. The total accumulated savings amounted to \$5,505,112, showing an increase over 1887 of \$1,293,163. While the number of shares in force has steadily increased from year to year, if it be assumed that they will remain at the above figure of 184,598 during the present year, there will be paid into these banks, savings, in the form of dues, in 1889, amounting to over \$2,200,000. Massachusetts, in the wisdom of its legislation relating to these associations, outranks any other State in the Union.

The proper limits of this article will not allow us to enter into the history of the success or failure of these associations in other States, except in a very general way.

At the present time, they are successful and rapidly increasing in New Jersey, numbering about two hundred and forty, with accumulated savings of over \$10,000,000.

The first association in Maryland was formed in Baltimore in 1846. They have been quite uniformly successful in this State. The most common matured value of shares has been \$100 and weekly dues of twenty-five cents. The total number of associations in this State in October, 1888, was one hundred and ninety-one, of which one hundred and fifty-eight were located in Baltimore.

In the number of associations, Ohio ranks next to Pennsylvania. The first was formed in Cincinnati in July, 1868, under the guidance of Dr. P. A. Keck. A *Manual for Building and Loan Associations*, published by S. Rosenthal & Co. of Cincinnati in August last, places the number in Hamilton County at four hundred, of which three hundred and twenty-five are located in Cincinnati. There are probably three hundred in the rest of the State. Dues in this State are usually placed at twenty-five cents a week. The number of shareholders in Cincinnati alone is estimated at seventy-five thousand. There is at Dayton one of the largest associations in the United States, but its business methods are in some respects quite unlike the true Building and Loan Association. It is called the "Mutual Home and Savings Association." It issues shares of the matured values of \$100 and \$500, and permits a share to be paid for in one payment, and thereafter to receive semi-annual cash dividends. From its fifteenth annual report, dated December 31, 1887, we learn that it had 5,835 shareholders and \$1,154,148 of assets.

The first association in Illinois was formed in Chicago, under the name of "The Chicago Building Association," in 1849, the second at Jerseyville in 1852, and the third at Chicago in 1857. No general act for their incorporation was passed until 1869. In 1872, this law was super-

seded by an act patterned after the laws of Pennsylvania. This was repealed in 1874 and re-enacted in 1879. In 1880, the associations became involved in a litigation touching the constitutionality of the law permitting them to receive premiums on loans in excess of legal interest. The decisions were adverse to them at first; but they finally succeeded, this contest calling into existence "The Illinois Building and Loan Association League." From the various tribulations through which they passed, they have at last emerged into great strength and popularity; and their growth during the last three years has been marvellous. Many estimates at the present time place over three hundred associations in Chicago and over two hundred in the remainder of the State.

The number in Wisconsin in November, 1888, was forty-two, of which twenty were located in Milwaukee. The first was formed at Appleton in October, 1883. They are rapidly increasing in numbers and popularity.

The early experience of the associations in Michigan was not such as to inspire confidence, and in 1877 a law was enacted somewhat restrictive in its provisions; but in 1887 an act was passed more liberal in its terms. Since then there has been a great revival of interest, and at the present time there are about forty-five associations in the State.

In Minnesota, building and loan associations have attained their greatest growth in the twin cities of Minneapolis and St. Paul, the first being organized in 1869. They are patterned after the Philadelphia plan, and have been successful from the first. It is estimated that from eight thousand to ten thousand homes have been secured through their agency, and their total number in the State is estimated to be over one hundred.

Their growth has been rapid in the last three years in Indiana, and especially in Indianapolis, where it is stated there are over one hundred associations. They are also

increasing rapidly in Iowa, Kansas, and Missouri; but of their number in those States we cannot speak with accuracy. They have assumed sufficient importance in California to call into existence a State league, and they are also beginning to appear in every Territory.

The Southern States are awakening to the importance and advantages of this form of co-operation. There are many flourishing associations in New Orleans, the oldest of which dates from 1882. Texas is reported to have fifty, which probably exceeds the number in any former slave-holding State except Maryland and Missouri; but they are found in every State in greater or less numbers.

The total number of associations in the United States cannot be stated with entire accuracy, but it will not vary much from 4,000. There is greater uncertainty in estimating the total amount of their present accumulated savings or the amount received by them annually; yet we have sufficient data from which to make an approximate estimate. From a careful analysis of such data, we estimate the accumulations now held by them to be at least \$300,000,000, and that the amount which will be paid to them in the form of dues alone in 1889 will exceed \$65,000,000.

At the close of our brief history of their success in Pennsylvania, we promised, after referring to them in other States, to answer the question, Why has their success in that State been greater than elsewhere? We believe the answer is to be found in the laws of the State which controlled their formation from 1859 to 1874. We have before stated that the first general act authorizing their incorporation was passed in April, 1859, and that this act limited the number of shares which a single association could issue to five hundred. At an average of ten shares to a shareholder, this would limit the total membership to fifty, or one hundred with an average of five shares to each stockholder. They were often called in these

early days in Philadelphia "Building Clubs." In 1851, as we have already noted, the limit of shares was increased to 2,500, and so remained until 1874. This limitation of necessity kept the associations comparatively small in the number of their several memberships. No well-paid official places were at their disposal. There was no chance to organize large associations for the purpose of securing to the organizers and officers lucrative positions in the management of the business. There was no opportunity for speculative organizations to come into existence under the name and guise of "Building and Loan Associations"; and, by reason of this limitation, they have retained the characteristics essential for continued success, and have escaped many of the dangers which in many other localities finally brought disaster to the early attempts in this form of co-operative endeavor.

There are some places in the country at the present time where schemes under the name of "Building and Loan Associations" are assuming great importance, which will prove in the end, we fear, unsatisfactory, if not disastrous, and unjustly cast odium upon the true Co-operative Savings and Loan Association. This is especially the case in the North-west. The popularity of some of the methods upon which the business of the true Building and Loan Association is conducted is being taken advantage of to build up immense corporations, bearing the name of "Building and Loan Associations," which are not content even to confine their operations to the State wherein they are incorporated, but push into other States, and aspire to become national in the extent of their business.

As a sample of this class of corporations, we quote the following from an article in the *Minneapolis Tribune*, issued February 9, 1888, relating to one of them. We omit the name:—

This association was organized a little less than two years ago, and has been successful beyond the expectation of even its friends.

To accommodate its rapidly growing business, new offices were needed; and the entire second floor of the National Bank of Commerce building is now used for this association alone. Some idea of the magnitude of the business can be obtained from the number of persons in the employ of this association. There are now in the home office twenty-five clerks. Ten special travelling appraisers are constantly on the road, inspecting loans. In addition to this, there are about one hundred and fifty travelling solicitors engaged in selling stock. Already stock of this association to the amount of \$16,000,000 has been sold, the membership now being more than twice as large as that of any other association in the United States. There are among the members of this association nearly one thousand bankers, and more than two-thirds of the remaining membership is composed of merchants and business men.

A corporation of this character is no more entitled to the name of "Building and Loan Association" than a "Western Loan and Trust Company." Did these "one thousand bankers" take stock for the purpose of accumulating savings? An examination of the facts would reveal that they paid for their stock at a single payment, and are to receive semi-annual cash dividends, and are expecting it will be a very remunerative investment. If the inquiry is pushed to the extent of asking from what source the profits of the company are to be derived, we shall find the answer to be that borrowing stockholders in the association are to pay premiums* upon their loans in excess of legal interest. These "one hundred and fifty travelling solicitors" will "rope in" the ignorant and unwary borrowing stockholders by describing the merits of the genuine Co-operative Savings and Loan Association scheme, and by representing that, while they seem to be paying a large premium in excess of legal interest weekly or monthly, they will get it back in the dividends added

*Since writing the above, a circular of this association has come into our possession, from which we quote as follows: "Premiums bid are now running about \$50 per share [shares are \$100]. At this rate, two shares of stock are required to be held for each \$100 loaned. The cost of a loan at this premium, with interest added, is \$1.70 per month for each \$100."

to their stock, and that in the end their loans will not cost them more than legal interest, and possibly even less. The borrower sooner or later will find that he has been deceived, that he is in a net from which he cannot extricate himself without severe loss. All sorts of charges upon the management will begin to be made; and influences akin to those which sought relief in the legislative halls at Albany from New York City in 1855-56 will bring the association and its schemes into disgrace, and cast odium not alone upon the false, but also upon the equitable and uniformly successful methods of co-operative savings and loan associations.

These criticisms are not aimed at the association above referred to especially, but at the whole class of associations which are endeavoring to be classed as building and loan associations, but are, in fact, corporations formed and conducted for purposes wholly different from the objects of the class of associations whose name they assume. The friends of the latter in Minnesota are already aroused to the danger with which these falsely named corporations menace their future, and at the present time legislation is pending to bring them under State supervision and control.

Any co-operative building and loan association should be confined in its operations at least to the county in which it is located, and, when located in a city, to the city itself and the territory immediately adjacent, in making loans upon real estate. It loses its distinctive characteristics and strong elements of safety whenever its operations become enlarged and extended over a wide field. It ceases to belong to the category of co-operative savings and building-loan associations, and is no longer a co-operative society of the vicinage, in which all may become interested, have a voice in its management, and full knowledge from month to month of all its transactions.

The economic benefits resulting to society from this form of co-operation, when properly conducted, can hardly be overestimated.

1. As an "institution for savings," no scheme has yet been devised and put into operation which combines safety of the funds, cheapness in management, and good rates of interest in so great degree as the Co-operative Savings and Loan Association.

There is never a large sum of money in the hands of its treasurer or other officer for him to steal, if so inclined. Any possible loss from such a cause can be amply covered by his bonds, unless there is great carelessness; and, if that occurs, and the treasurer becomes a defaulter, it can be only for a small sum compared with the accumulated capital. The loss, when distributed among all who have to bear it, will be but a small percentage.

The moneys received at the stated meetings are soon thereafter loaned to borrowers or paid to withdrawing stockholders. Only first mortgage upon real estate or a pledge of the stock of the association exceeding in value the amount of the loan is taken as security. In case of loan upon stock, the security is perfect. In the mortgage loan, the real estate is located in the vicinity, and there is no difficulty in ascertaining its value. The committee having the investment in charge are financially interested in the safety of the security taken. They receive no fees or percentage in case they accept an offered security, which they would lose by rejecting it. All the ordinary motives that affect men's judgment under such circumstances conspire to influence them to accept only a safe security. Another most important element in the safety of the investment, when made, lies in the fact that the borrower, besides paying his interest from month to month, is also paying dues on the stock borrowed upon, which the association also holds as a collateral, thereby increasing from month to month the safety of the security.

For this reason there is little danger that an investment, safe when made, will ever become unsafe. While, on the other hand, if from an error of judgment or otherwise a security is accepted that is not "gilt-edged," it will grow better from month to month, while the borrower continues to pay his monthly dues and interest. The expenses of conducting the business are small. Usually no officers receive pay except the secretary and treasurer, and their salaries are small. The fees of the attorney in perfecting loans are paid by the borrowers.

It will seldom occur that the funds cannot be loaned at legal interest, and often there will be competition among borrowers whereby a premium will be paid. There is also the important fact that the interest is paid monthly and loaned at once, whereby monthly compound interest is secured without the borrower having to pay compound interest. The entrance-fees on stock issued, the fines on defaulted payments, and transfer-fees will often pay all the expenses, and leave the interest premiums and shares of profits left by the withdrawing stockholders to be distributed in dividends, thereby securing to the stockholders a larger interest than any other form of savings institution can pay.

2. An association of this character can be conducted successfully in any business centre having a population of five hundred, and thereby the benefits of an "institution for savings" can be secured by the many villages that have not sufficient population to maintain a savings bank.

3. As a means for stimulating savings, such an association is more potent than the savings-bank for several reasons. The depositor in the latter may withhold or deposit at his pleasure, or, having deposited, he may easily withdraw the money and use it to satisfy some present want, the gratification of which is not a necessity. He does not feel himself united with others in his endeavors

at saving. But, when one has taken stock in an association, he has entered into an agreement to pay a certain sum weekly or monthly. He has a definite aim and purpose, and has agreed to suffer a fine if he fails. Some, at least, of his fellow-stockholders will know of his failure, his pride will be stirred, and he will be more certain to save the amount of his dues, appear at the stated meetings and pay them, than he would if he were depositing in the savings-bank. When he has paid them, they cannot be obtained so easily. He will have to give thirty days' notice in writing and surrender some share of the profits if he withdraws. He has a feeling of ownership in the association, a vote in electing its officers. He has a social time on the evening of its meetings, makes new acquaintances, ascertains who the borrowers are, and what premium they had to pay for the loans if there was competition at the sale of the evening receipts. All these influences stimulate his endeavors: he takes pleasure and pride in them, and will talk with friends about what he is doing, urging them to take stock in the association. He is forming four habits which will be important in their effect upon his future welfare; namely, habits of promptness, saving, frugality, and industry. If he is a man of family without a home, he has learned a practicable way to get one. Moreover, it inspires hope, not alone in him, but in all his household. They are no longer content to expend all the earnings of the week in paying bills contracted during the week. As soon as a sufficient sum is accumulated to make up the margin between the purchase price of the home and the sum the association will loan upon the property, he can borrow the money and purchase the home, and his dues and interest will but slightly exceed the sum he was paying for rent. The unmarried clerk or artisan has learned a practical mode of accumulating a sum to go into business for himself in the future. The father, already thrifty, takes shares for his children,

and trains them to habits of saving more easily than he could do otherwise.

The influences which radiate from these associations in a community are elevating, and the results which they induce possess in a high degree the desirable characteristic of permanency. They deserve the attention of all men who are interested in practical agencies for advancing the masses of men in their material welfare, by developing and stimulating the habit of saving some part of small incomes and the desire of owning homes. For the purpose of securing these results, no scheme has yet been devised and put into operation which is the equal of these associations, when organized under proper legislative guidance and restriction, and guarded by a wise State supervision.

SEYMOUR DEXTER.